

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Pipestone	County Berrien
Audit Date March 31, 2007	Opinion Date May 21, 2007	Date Accountant Report Submitted to State: June 5, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>		Zip 48707	

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 21, 2007

To the Township Board
Township of Pipestone
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Pipestone, Berrien County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Pipestone's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Pipestone, Berrien County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Pipestone covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$342,436.26 for governmental activities.

Overall revenues were \$256,290.55. Governmental activities had a \$12,469.34 increase in net assets.

We obtained a \$39,200.00 contract payable to partially fund a new Township Hall.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Building Fund.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Building Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services. The most significant are roads which incurred expenses of \$38,172.19 and Fire Protection which incurred expenses of \$71,986.05.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$49,200.00 in capital assets this year.

The Township obtained a \$39,200.00 contract payable this year.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Treasurer, Richard Skibbe (269) 461-6314 or the Township Clerk, Alan Nimtz (269) 944-1063.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	326 801 47
Taxes receivable	<u>3 930 87</u>
Total Current Assets	<u>330 732 34</u>
NON-CURRENT ASSETS:	
Capital Assets	93 944 76
Less: Accumulated Depreciation	<u>(43 040 84)</u>
Total Non-current Assets	<u>50 903 92</u>
TOTAL ASSETS	<u>381 636 26</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
LONG-TERM LIABILITIES:	
Contract payable	<u>39 200 00</u>
Total Long-Term Liabilities	<u>39 200 00</u>
TOTAL LIABILITIES	<u>39 200 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	11 703 92
Unrestricted	<u>330 732 34</u>
Total Net Assets	<u>342 436 26</u>
TOTAL LIABILITIES AND NET ASSETS	<u>381 636 26</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended March 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS		<u>Charges for Services</u>	
Governmental Activities:			
Legislative	2 369 00	-	(2 369 00)
General government	104 039 76	9 400 00	(94 639 76)
Public safety	93 016 83	22 517 35	(70 499 48)
Public works	41 385 62	-	(41 385 62)
Culture and recreation	660 00	-	(660 00)
Other	<u>2 350 00</u>	<u>-</u>	<u>(2 350 00)</u>
Total Governmental Activities	<u>243 821 21</u>	<u>31 917 35</u>	<u>(211 903 86)</u>
General Revenues:			
Property taxes			51 371 63
State revenue sharing			159 373 69
Interest			13 127 95
Miscellaneous			<u>499 93</u>
Total General Revenues			<u>224 373 20</u>
Change in net assets			12 469 34
Net assets, beginning of year			<u>329 966 92</u>
Net Assets, End of Year			<u>342 436 26</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2007

	<u>General</u>	<u>Building</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	307 808 78	18 981 63	326 790 41
Taxes receivable	3 930 87	-	3 930 87
Due from other funds	<u>11 06</u>	<u>-</u>	<u>11 06</u>
Total Assets	<u>311 750 71</u>	<u>18 981 63</u>	<u>330 732 34</u>
<u>Liabilities and Fund Equity</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>311 750 71</u>	<u>18 981 63</u>	<u>330 732 34</u>
Total fund equity	<u>311 750 71</u>	<u>18 981 63</u>	<u>330 732 34</u>
Total Liabilities and Fund Equity	<u>311 750 71</u>	<u>18 981 63</u>	<u>330 732 34</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	330 732 34
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	93 944 76
Accumulated depreciation	(43 040 84)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Contract payable	<u>(39 200 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>342 436 26</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2007

	<u>General</u>	<u>Building</u>	<u>Total</u>
Revenues:			
Property taxes	51 371 63	-	51 371 63
Licenses and permits	-	22 517 35	22 517 35
State revenue sharing	159 373 69	-	159 373 69
Charges for services	9 400 00	-	9 400 00
Interest	13 127 95	-	13 127 95
Miscellaneous	499 93	-	499 93
Total revenues	<u>233 773 20</u>	<u>22 517 35</u>	<u>256 290 55</u>
Expenditures:			
Legislative:			
Township Board	2 369 00	-	2 369 00
General government:			
Supervisor	9 818 76	-	9 818 76
Elections	4 021 23	-	4 021 23
Clerk	13 343 69	-	13 343 69
Assessor	15 491 81	-	15 491 81
Board of Review	600 00	-	600 00
Treasurer	11 135 29	-	11 135 29
Cemetery	20 320 50	-	20 320 50
Township Hall	7 093 27	-	7 093 27
Financial administration	20 944 25	-	20 944 25
Public safety:			
Fire protection	71 986 05	-	71 986 05
Planning	330 00	-	330 00
Protective inspection	-	20 700 78	20 700 78
Public works:			
Landfill	1 139 00	-	1 139 00
Highways and streets	38 172 29	-	38 172 29
Drains at large	2 074 33	-	2 074 33
Culture and recreation:			
Library	660 00	-	660 00
Other functions:			
Community development	2 350 00	-	2 350 00
Capital outlay	49 200 00	-	49 200 00
Total expenditures	<u>271 049 47</u>	<u>20 700 78</u>	<u>291 750 25</u>
Excess of revenues over expenditures	<u>(37 276 27)</u>	<u>1 816 57</u>	<u>(35 459 70)</u>
Other financing sources (uses):			
Loan proceeds	39 200 00	-	39 200 00
Total other financing sources (uses)	<u>39 200 00</u>	<u>-</u>	<u>39 200 00</u>
Excess of revenues and other sources over expenditures and other uses	1 923 73	1 816 57	3 740 30
Fund balances, April 1	<u>309 826 98</u>	<u>17 165 06</u>	<u>326 992 04</u>
Fund Balances, March 31	<u>311 750 71</u>	<u>18 981 63</u>	<u>330 732 34</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	3 740 30
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(1 270 96)
Capital Outlay	49 200 00

Receipts of debt proceeds is a financing source in the governmental funds, the receipt
does not have an effect in the statement of activities but does increase the debt
balance in the statement of net assets

Loan proceeds	<u>(39 200 00)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>12 469 34</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Pipestone, Berrien County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Pipestone. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was .8862 mills, and the taxable value was \$57,834,414.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$800.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years
Equipment	5-25 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>326,801.49</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100,011.66
Uninsured and Uncollateralized	<u>251,491.06</u>
Total Deposits	<u>351,502.72</u>

The Township did not have any investments as of March 31, 2007.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/06	Additions	Deletions	Balance 3/31/07
<u>Governmental Activities:</u>				
Land	-	4 200 00	-	4 200 00
Building	40 000 00	45 000 00	-	85 000 00
Equipment	4 744 76	-	-	4 744 76
Total	44 744 76	49 200 00	-	93 944 76
Accumulated Depreciation	(41 769 88)	(1 270 96)	-	(43 040 84)
Net Capital Assets	2 974 88	47 929 04	-	50 903 92

Note 5 – Changes in Long -Term Debt

	Balance 4/1/06	Additions	Deletions	Balance 3/31/07
Contact Payable	-	39,200 00	-	39 200 00

Note 6 – Contact Payable

On November 13, 2006, the Township obtained a contract payable in the amount of \$39,200.00, to partially fund the purchase of a new Township hall. The contract requires semi-annual payments of \$4,900.00 beginning June 30, 2007. The contract is interest free. As of March 31, 2007, the principal balance outstanding was \$39,200.00.

Note 7 – Pension Plan

The Township does not have a pension plan.

Note 8 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 9 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 – Building Permits

As of March 31, 2007, the Township had building permit revenues of \$22,517.35 and building permit expenses of \$20,700.78.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 11 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>11 06</u>	Current Tax Collection	<u>11 06</u>
Total	<u>11 06</u>	Total	<u>11 06</u>

TOWNSHIP OF BENTLEY
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	53 660 00	53 660 00	51 371 63	(2 288 37)
State revenue sharing	155 000 00	155 000 00	159 373 69	4 373 69
Charges for services	13 300 00	13 300 00	9 400 00	(3 900 00)
Interest	40 00	40 00	13 127 95	13 087 95
Miscellaneous	5 200 00	5 200 00	499 93	(4 700 07)
Total revenues	<u>227 200 00</u>	<u>227 200 00</u>	<u>233 773 20</u>	<u>6 573 20</u>
Expenditures:				
Legislative:				
Township Board	2 822 00	2 369 00	2 369 00	-
General government:				
Supervisor	9 870 00	9 818 76	9 818 76	-
Elections	2 900 00	4 021 23	4 021 23	-
Clerk	13 890 00	13 343 69	13 343 69	-
Assessor	15 750 00	15 491 81	15 491 81	-
Board of review	600 00	600 00	600 00	-
Treasurer	11 173 00	11 135 29	11 135 29	-
Cemetery	20 150 00	20 320 50	20 320 50	-
Township Hall	1 500 00	16 116 47	7 093 27	(9 023 20)
Financial administration	21 650 00	21 921 03	20 944 25	(976 78)
Public safety:				
Fire protection	76 000 00	71 986 05	71 986 05	-
Planning	810 00	330 00	330 00	-
Public works:				
Landfill	1 200 00	1 200 00	1 139 00	(61 00)
Highways and streets	40 000 00	38 172 29	38 172 29	-
Drains at large	1 000 00	2 074 33	2 074 33	-
Culture and recreation:				
Library	720 00	660 00	660 00	-
Other functions:				
Community development	5 250 00	5 029 99	2 350 00	(2 679 99)
Capital outlay	-	49 200 00	49 200 00	-
Total expenditures	<u>225 285 00</u>	<u>283 790 44</u>	<u>271 049 47</u>	<u>(12 740 97)</u>
Excess (deficiency) of revenues over expenditures	<u>1 915 00</u>	<u>(56 590 44)</u>	<u>(37 276 27)</u>	<u>19 314 17</u>
Other financing sources (uses):				
Loan proceeds	-	-	39 200 00	39 200 00
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>39 200 00</u>	<u>39 200 00</u>
Excess (deficiency) of revenues and Other sources over expenditures and other uses	1 915 00	(56 590 44)	1 923 73	58 514 17
Fund balance, April 1	<u>-</u>	<u>56 590 44</u>	<u>309 826 98</u>	<u>253 236 54</u>
Fund Balance, March 31	<u>1 915 00</u>	<u>-</u>	<u>311 750 71</u>	<u>311 750 71</u>

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – BUILDING FUND
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Licenses and permits	<u>22 800 00</u>	<u>22 800 00</u>	<u>22 517 35</u>	<u>(282 65)</u>
Total revenues	<u>22 800 00</u>	<u>22 800 00</u>	<u>22 517 35</u>	<u>(282 65)</u>
Expenditures:				
Public safety:				
Protective inspection	<u>22 775 00</u>	<u>22 522 08</u>	<u>20 700 78</u>	<u>(1 821 30)</u>
Total expenditures	<u>22 775 00</u>	<u>22 522 08</u>	<u>20 700 78</u>	<u>(1 821 30)</u>
Excess (deficiency) of revenues over expenditures	25 00	277 92	1 816 57	1 538 65
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>17 165 06</u>	<u>17 165 06</u>
Fund Balance, March 31	<u>25 00</u>	<u>277 92</u>	<u>18 981 63</u>	<u>18 703 71</u>

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Township Board:	
Wages	2 369 00
Supervisor:	
Salary	9 650 00
Miscellaneous	168 76
	<u>9 818 76</u>
Elections:	
Wages	2 009 13
Supplies	2 012 10
	<u>4 021 23</u>
Clerk:	
Salary – Clerk	11 330 00
Salary – Deputy	1 100 00
Supplies	913 69
	<u>13 343 69</u>
Assessor:	
Salary	13 810 56
Supplies	1 277 41
Miscellaneous	403 84
	<u>15 491 81</u>
Board of Review:	
Wages	600 00
Treasurer:	
Salary – Treasurer	9 218 00
Salary – Deputy	1 100 00
Supplies	817 29
	<u>11 135 29</u>
Cemetery:	
Supervisor salary	1 600 00
Sexton wages	10 040 50
Repairs and maintenance	1 680 00
Opening/closing	7 000 00
	<u>20 320 50</u>
Township Hall:	
Utilities	2 071 23
Repairs and maintenance	5 022 04
	<u>7 093 27</u>
Financial administration:	
Audit	2 300 00
Insurance	4 687 00
Dues	1 248 73
Legal	2 112 00
Supplies	1 315 29
Printing and publishing	3 225 00
Payroll taxes	3 319 65
Miscellaneous	169 66
Computer service	2 566 92
	<u>20 944 25</u>

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Fire protection:	
Fire board wages	900 00
Contracted services	<u>71 086 05</u>
	<u>71 986 05</u>
Planning:	
Commission wages	<u>330 00</u>
Landfill	<u>1 139 00</u>
Highways and streets	<u>38 172 29</u>
Drains at large	<u>2 074 33</u>
Library:	
Board wages	<u>660 00</u>
Community development	<u>2 350 00</u>
Capital outlay	<u>49 200 00</u>
Total Expenditures	<u>271 049 47</u>

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2007

	Balance 4/1/06	Additions	Deductions	Balance 3/31/07
<u>Assets</u>				
Cash in Bank	1 00	851 879 29	851 869 23	11 06
<u>Liabilities</u>				
Due to other funds	1 00	47 462 32	47 452 26	11 06
Due to others	-	804 416 97	804 416 97	-
Total Liabilities	1 00	851 879 29	851 869 23	11 06

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2007

Cash in bank – beginning of year	<u>1 00</u>
Cash receipts:	
Property tax	851 704 29
Animal licenses	<u>175 00</u>
Total cash receipts	<u>851 879 29</u>
Total beginning balance and cash receipts	<u>851 880 29</u>
Cash disbursements:	
Township General Fund	47 452 26
Berrien County	141 456 37
Berrien Intermediate School District	126 124 76
Lake Michigan Community College	95 915 99
Eau Claire Schools	392 856 58
Dowagiac Schools	1 598 76
Eau Claire District Library	36 759 82
State of Michigan	2 854 43
Refunds	<u>6 850 26</u>
Total cash disbursements	<u>851 869 23</u>
Cash in Bank – End of Year	<u>11 06</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 21, 2007

To the Township Board
Township of Pipestone
Berrien County, Michigan

We have audited the financial statements of the Township of Pipestone for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Pipestone in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Pipestone
Berrien County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants